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October 5, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C.

Re: Basel III

Dear Ms. Johnson:

The banking regulators are currently considering changes in the level of capital that all banks should maintain in order to prevent future weakness in the industry. Without doubt the financial crisis our country has experienced over the recent past has had a devastating effect and appropriate reform is in order. By and large, community banks did not create this crisis, yet they are being asked to shoulder the guilt equally with the irresponsible acts of others. Basel III was initially envisioned to apply only to the largest, systemically important and internationally active banks. As a community banker I feel it imperative to weigh in on this issue.

Community banks are vital to the growth and well-being of the areas in which they operate. They are sensitive to the needs of the individuals and businesses they serve. Imposing Basel III would create an undue burden and could lead many community banks to become undercapitalized. Just a few examples of the burdens Basel III would impose are:

- Imposing complex and excessive capital standards will threaten the nation's economic recovery and limit lending, investment, and credit availability to Main Street communities.
- Community banks will be forced to hire new compliance staff, calculate complex risk weights for residential mortgages, and limit their loan offerings to meet the requirements of arbitrary risk-weighted buckets.
- Community banks are based on relationships and are not conducive to imposition of blanket regulations.

As stated, these are only some of the affects; Basel III will adversely impact community banks. I can personally attest that Southeast National Bank is vibrant and growing and serving our citizens. As our country begins to climb out of this recession it is vital that community banks be allowed to do what they do best - finance growth. The proposed rules are highly reactionary to the most recent economic events and do not represent a thoughtful, long-term approach in the best interest of the U. S. banking system or the national economy.

Therefore I urge you to seriously reconsider the Basel III proposal.

Sincerely,

Jeffrey P. Rose  
President & CEO

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President - Chief Executive Officer